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IN THE
Supreme Court of the United States

OCTOBER TERM, 1947.

No. 481

EDWIN B. H. TOWER, JR.,

Petitioner,

vs.

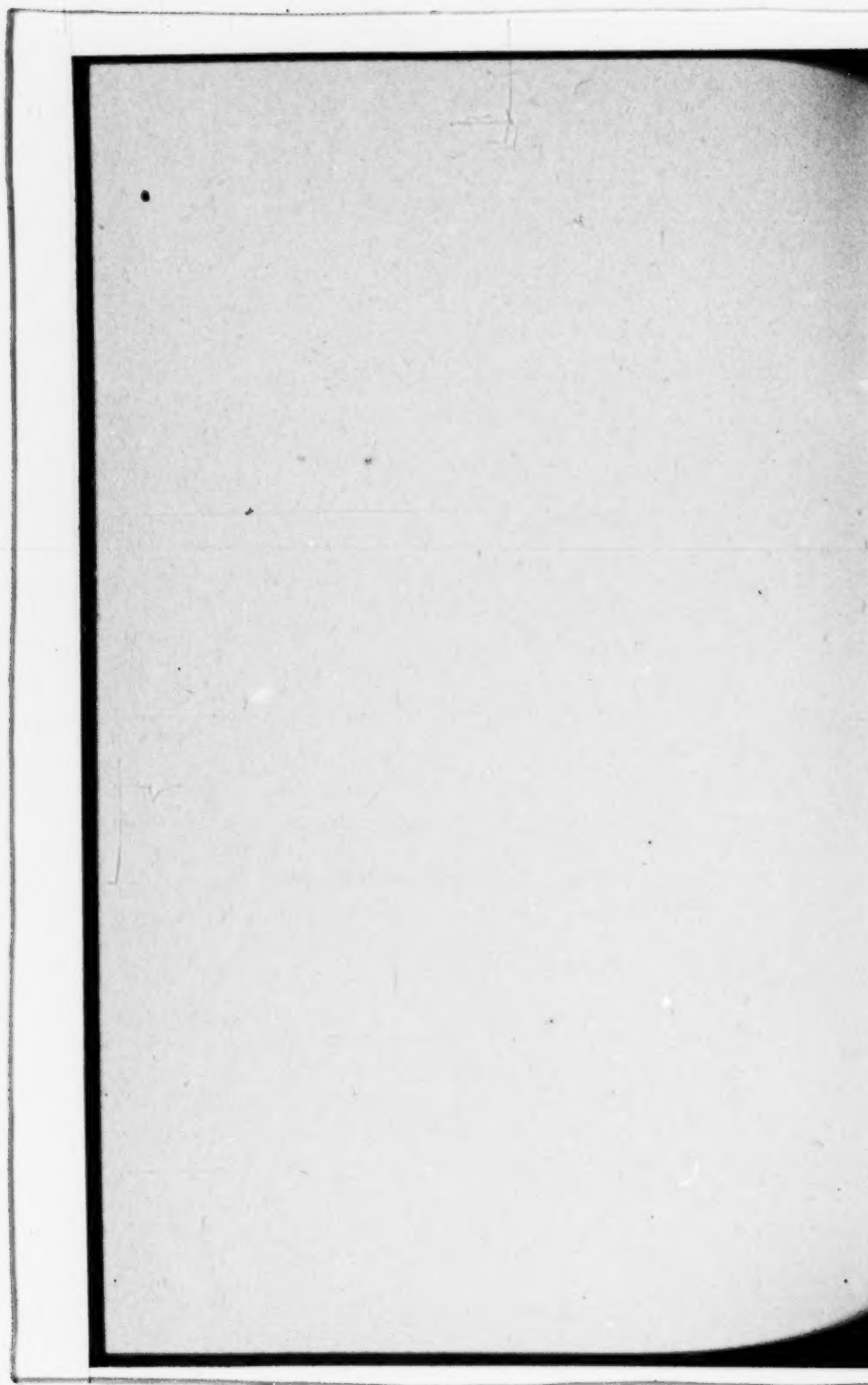
WATER HAMMER ARRESTER, CORP.,

Respondent.

PETITION FOR A WRIT OF CERTIORARI TO THE
UNITED STATES CIRCUIT COURT OF APPEALS
FOR THE SEVENTH CIRCUIT AND BRIEF IN SUP-
PORT THEREOF.

↓ HAROLD OLSEN,

Counsel for Petitioner.



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PETITION.

*To the Honorable, the Chief Justice, and the Associate
Justices of the Supreme Court of the United States:*

Your petitioner, Edwin B. H. Tower, Jr., respectfully prays that a writ of certiorari issue to the United States Circuit Court of Appeals for the Seventh Circuit to review a judgment of that court entered September 18, 1947 (R. 54). A certified transcript of the record in the case, relevant to the question presented, including the proceedings in said Circuit Court of Appeals, together with the necessary additional copies thereof, has been filed in compliance with Rule 38 of the Rules of this Court.

Summary and Short Statement of the Matter Involved.

This is a suit instituted by the respondent for a declaratory judgment as to the validity and infringement of United States Letters Patent 2,273,766 for Water Hammer Arresters, granted to petitioner on February 17, 1942.

The District Court entered a judgment holding the patent invalid. The opinion of the District Court is reported in 66 F. Supp. 732.

Petitioner appealed to the Circuit Court of Appeals for the Seventh Circuit which affirmed the judgment of the District Court. The opinion of the Circuit Court of Appeals is reported in 156 F. (2) 775.

Thereafter petitioner filed in this Court a petition for a writ of certiorari upon a question of jurisdiction, which said petition was denied by this Court on January 10, 1947 (— U. S. —, No. 717, October Term, 1946).

After the trial of the case and while the appeal was pending in the Circuit Court of Appeals, petitioner filed a motion to dismiss the suit upon the ground that it was not being prosecuted by the real party in interest (R. 15).

Said motion was supported by the affidavits of Harvey W. Peters (R. 17), of the petitioner (R. 22), and of Ulmont O. Cumming (R. 53).

In substance, the said motion to dismiss and the supporting affidavits show that, prior to the trial of the case in the District Court, the plaintiff had sold its business in the manufacture and sale of water hammer arresters to the Wade Manufacturing Company, a division of Woodruff & Edwards, Inc. of Elgin, Illinois, and that, as a result of such sale of its business, the plaintiff no longer had any standing to maintain the action. Said motion and supporting affidavits show that the sale of its business was sup-

pressed and concealed by the plaintiff so that there was no opportunity for the defendant to take steps to join or substitute the assignee as a party to the action, or for the District Court to order such substitution or joinder in accordance with Rule 25 (c) of the Federal Rules of Civil Procedure.

In answer to petitioner's said motion to dismiss, respondent filed the affidavits of James C. Wade (R. 25), George Edwards (R. 28) and Louis Weinhausen (R. 29).

In substance, these affidavits allege that the respondent had not sold its business to the Wade Manufacturing Company but that said Company is merely acting as "agent" for the respondent.

Upon this showing, the Court of Appeals, in its opinion upon the merits of the appeal, denied petitioner's motion to dismiss (156 F. (2) 775, 781).

Thereafter, and in April 1947, the respondent filed a suit against the petitioner in the Circuit Court of Milwaukee County, Wisconsin, asserting that respondent was damaged by the petitioner's having taken out in his own name the patent which was previously held invalid in this suit.

In connection with the suit pending in the Circuit Court of Milwaukee County, petitioner took discovery depositions of an officer and a director of the respondent on May 26 and June 3, 1947. In the course of taking said depositions, petitioner learned for the first time the exact nature of the relationship between the respondent and the said Wade Manufacturing Company and procured for the first time copy of a so-called "license agreement" (R. 31) which theretofore had been concealed and suppressed by the respondent.

Said "license agreement" was entered into October 2, 1943 (nearly six months before the trial of this case) and

contains the provision that the respondent "will not continue or again engage in the manufacture of water hammer arresters or make any information regarding such devices available to any third parties for a period of ten (10) years from the date of this agreement" (R. 33).

Also, in the course of taking said discovery depositions, petitioner learned for the first time of an agreement secretly entered into in March 1939 between the President of his client, Fleming Manufacturing Company, and the Cook Electric Company of Chicago, by which said agreement petitioner's client, Fleming Manufacturing Company, was deprived of the opportunity of obtaining bellows which were necessarily used in the construction of water hammer arresters. A copy of said secret agreement is in the record at page 40.

Notwithstanding the so-called "license agreement" (R. 31) by which the respondent had agreed not to engage in the business of manufacturing and selling water hammer arresters for a period of ten years, respondent's President falsely testified on the trial that the respondent was engaged in the manufacture and sale of water hammer arresters and he identified a blueprint as showing the device which the respondent was then making and selling.

When the petitioner discovered the true nature of the agreement between the respondent and the said Wade Manufacturing Company, and that the affidavits previously filed by the respondent (R. 25, 28, 29) falsely characterized that relationship as one of agency, and in addition, petitioner learned that respondent's President had falsely testified upon the trial as to the respondent's being engaged in the business affected by the litigation, he filed in the Circuit Court of Appeals a petition to vacate the judgment herein on the ground that the same was obtained by fraud (R. 1).

On September 18, 1947, the Circuit Court of Appeals ordered that said petition be filed *instanter* together with the briefs submitted by the parties, and thereupon ordered that the said petition to vacate the judgment be denied (R. 54).

It is said order denying petitioner's said petition to vacate the judgment upon the ground of fraud that petitioner seeks to have reviewed by this Court.

Questions Presented.

The petition to vacate the judgment on the ground that the same was obtained by fraud was denied by the Court of Appeals without opinion.

It is not to be assumed that the Court of Appeals had any doubt about its jurisdiction to entertain this petition because that question has been definitely settled by this Court. Therefore, that question is not raised in this petition. The following are the questions presented:

1. May a suitor for a declaratory judgment as to the validity and infringement of a patent continue the action where, prior to trial, he has sold the business affected by the patent to a third party and has agreed that he will not continue or again engage in that business for a period of ten years, and where, prior to trial, he has been absolved by the patent owner from any liability for past infringement?

2. May a suitor in equity who has sold the business affected by the litigation actively suppress and conceal the fact of the assignment and thereby prevent his adversary from fully exhibiting his case and from taking the benefit of any judgment favorable to the adversary which might have been rendered?

3. Where, by fraud and deception, a judgment is se-

cured in a case in which there was in fact no adversary trial or decision upon the issue, may the judgment stand when the fraud and deception are revealed?

4. Is the question of substitution or joinder of a transferee of interest under Rule 25(c) a matter for election by the parties or is it a matter solely within the discretion of the Court?

Reasons Relied Upon For the Grant of a Writ of Certiorari.

The discretionary power of this Court is invoked upon the following grounds:

(1) The Circuit Court of Appeals for the Seventh Circuit has decided an important question relating to the vacating of judgments obtained by fraud, in a manner which is in conflict with the applicable decisions of this Court.

(2) The Circuit Court of Appeals for the Seventh Circuit has interpreted Rule 25 (c) of the Federal Rules of Civil Procedure in a manner which is believed to be untenable and directly in conflict with the purport and intent of the rule.

Wherefore, your petitioner respectfully prays that a writ of certiorari be issued out of and under the seal of this Court directed to the United States Circuit Court of Appeals for the Seventh Judicial Circuit, commanding said Court to certify and send to this Court, on a day to be designated, a full transcript of the record, relevant to the issue raised by this petition, and all proceedings in the Court of Appeals had in this case, to the end that this case may be reviewed and determined by this Court; that the judgment of the Court of Appeals for the Seventh Circuit be reversed, and that petitioner be granted such other and further relief as may to this Court seem proper.

HAROLD OLSEN,
Counsel for Petitioner.

Dated: Chicago, Illinois, December 15, 1947.

BRIEF IN SUPPORT OF PETITION FOR CERTIORARI.

The Opinion of the Court Below.

The Court of Appeals denied the petition to vacate the judgment without opinion. A copy of its order is in the record at page 54.

Jurisdiction.

The grounds of jurisdiction are:

1. The date of the judgment to be reviewed is September 18, 1947.

2. The statute under which the jurisdiction is invoked is § 240-A of the Judicial Code, 28 U.S.C. § 347, as amended by the Act of February 13, 1925.

3. Cases believed to sustain the jurisdiction of this Court to entertain this petition and grant the writ, are:

Hazel-Atlas Glass Company v. Hartford-Empire Company, 322 U. S. 238.

Powers-Kennedy Contracting Corp. v. Concrete Mixing Co., 282 U. S. 175.

Precision Instruments Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U. S. 806.

Statement of the Case.

The facts are sufficiently stated in the petition.

Specification of Errors.

The errors which petitioner will urge, if the writ of certiorari be granted, are that the Circuit Court of Appeals for the Seventh Circuit erred:

1. In denying the petition to vacate the judgment

on the ground of fraud when the record clearly establishes that a fraud was committed upon the Court and the petitioner in that by concealment and suppression of the fact that respondent had sold its business, respondent obtained a judgment in a case where there was no adversary trial.

2. In interpreting Rule 25(c) of the Federal Rules of Civil Procedure in such a way as to circumvent the requirement of the rule that the Court shall direct the substitution or joinder of parties in case there has been a transfer of interest or devolution of liability.

Summary of the Argument.

The points of the argument follow the questions presented and therefore are not repeated here.

ARGUMENT.

Point I.

Where, after judgment, it is made clearly to appear by newly discovered evidence that the judgment was obtained by the prevailing party by fraudulent concealment of its lack of interest in the litigation so that there was no adversary trial, the judgment should be vacated.

It may be conceded, but only for the purpose of the argument here to be made, that the respondent was engaged in a business which might be affected by the patent in suit at the time respondent instituted this action for a declaratory judgment respecting the validity of petitioner's patent.

It now appears, for the first time, that five months prior to the trial of the case respondent had sold its business to a third party, and in the contract of sale respondent agreed that it would not "continue or again engage in the manufacture of water hammer arresters or make any information regarding such devices available to any third parties for a period of ten (10) years" from the date of the sale (R. 33).

Thus, at the time the case was tried respondent could have had no interest in the validity of petitioner's patent, unless there was some liability for any infringements committed by the respondent prior to the sale of its business.

But, before the trial of the case the petitioner conceded that the respondent had not infringed his patent and absolved the respondent from any liability for past infringement. This appears in the record (p. 25) previously

presented to this Court in case No. 717, October Term 1946.

Consequently, at the time this case was tried there was no controversy whatever between the respondent and the petitioner and the trial, therefore, was not an adversary trial nor was the decision upon any issue then existing between the parties.

Respondent chose not to reveal the fact that it had "as a business expedient" (R. 30), sold its business to the Wade Manufacturing Company and deliberately concealed and suppressed the fact that it had agreed that it would not engage in the business affected by the patent for a period of ten (10) years. Respondent, having gone out of the business, and having been absolved of any liability for past infringement, nevertheless, continued the action and insisted that it was entitled to a judgment respecting the validity of the patent.

Since the respondent had withdrawn from the business, and there was no substitution or joinder of the assignee of the business, there was no adversary party before the Court who had any legal interest in the validity of petitioner's patent.

It is plain to see why this fraud was perpetrated. The purpose of it, obviously, was to shield the purchaser of respondent's business so that said purchaser would in no way be affected by any judgment which might have been rendered favorable to the petitioner.

When this matter was first called to the attention of the Court of Appeals in petitioner's motion to dismiss the action on the ground that it is not being prosecuted by the real party in interest (R. 15), respondent filed affidavits (R. 25-31) falsely asserting that its arrangement with Wade Manufacturing Company was not a sale but established an agency.

Even when challenged, respondent stubbornly persisted in concealing from the Court and from the petitioner the true nature of its relationship with Wade Manufacturing Company. That was discovered by the petitioner only when he took discovery depositions in a subsequently filed suit. Prior to that time, petitioner had no knowledge, and no means of ascertaining, what that relationship was.

As soon as petitioner did discover that relationship, he demanded production of the contract which is now in evidence (R. 31) and called the whole matter to the attention of the Court of Appeals in the petition to vacate the judgment (R. 1), the decision upon which he asks this Court to review.

It is clearly the law, established by controlling decisions of this Court, that fraud vitiates a judgment obtained

“in cases where by reason of something done by the successful party to a suit, there was, in fact no adversary trial or decision of the issue in the case.”

U. S. v. Throckmorton, 98 U. S. 61, 65.

It is true that in the case of *U. S. v. Throckmorton*, *supra*, the judgment was sought to be set aside by an independent bill in equity, whereas in the case at bar, the same result is sought to be achieved by a petition addressed to the Court before which the fraud was committed. That this is an immaterial distinction is clear from the decision of this Court in *Hazel-Atlas Glass Company v. Hartford-Empire Company*, 322 U. S. 238.

By deliberately suppressing and concealing the fact that respondent had no interest in the litigation, and by failing to join or substitute the Wade Manufacturing Company, there was before the Court no evidence that anyone was engaged in a business which might be affected by the patent in suit.

By this fraud, petitioner was prevented from exhibiting

fully his case because no issue between him and any party having an interest in the patent was presented. *U. S. v. Throckmorton*, 91 U. S. 61, 65, 66.

The trial court knew nothing about this, nor did the petitioner. The discovery was made only after the case was in the Court of Appeals. When in that Court the respondent's right to maintain the action was first challenged, respondent asserted that right by false affidavits.

Clearly, the fraud in this case was practiced directly upon the petitioner and is the kind of fraud which has come to be called "extrinsic", which in *U. S. v. Throckmorton*, *supra*, is the kind of fraud from which relief will be granted.

The order of the Court of Appeals denying the petition to vacate the judgment on the ground of fraud is clearly in direct conflict with the decisions of this Court in *U. S. v. Throckmorton* and *Hazel-Atlas Glass Company v. Hartford-Empire Company*, *supra*.

Point II.

The Court of Appeals erroneously construed Rule 25(c) of the Federal Rules of Civil Procedure as though the question of substitution or joinder in the case of a transfer of interest or devolution of liability need not be submitted to the trial court.

As the Court of Appeals did not render an opinion when it denied the petition to vacate the judgment, it is not known to what extent the Court was misled by the argument of the respondent that maintenance of the suit by the respondent is expressly authorized by Rule 25(c) of the Federal Rules of Civil Procedure.

Said Rule 25(c) reads as follows:

"Transfer of Interest. In case of any transfer of

interest, the action may be continued by or against the original party, unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party. Service of the motion shall be made as provided in subdivision (a) of this rule."

While the foregoing rule refers only to cases of "transfer of interest", it is clear that it must also apply to cases of devolution of liability, because the rule was patterned upon § 83 of the New York Civil Practice Act (1937) which includes the latter type of case.

In its argument below, respondent took the position that the foregoing rule expressly authorizes and permits the respondent to continue the action notwithstanding that there has been a transfer of interest.

In taking that position, respondent ignores completely the provision of the rule "unless the court upon motion directs the person to whom the interest is transferred to be substituted in the action or joined with the original party."

It seems too clear for argument, therefore, that the foregoing rule does not expressly permit an original party to continue an action where there has been a transfer of interest. He may do so only if the Court does not, upon motion, direct a substitution or joinder. The rule plainly contemplates that litigants and lawyers will be honest in their dealings with the Courts and that where there has been a transfer of interest or devolution of liability the matter will be called to the Court's attention and to the attention of the adverse party. Thereupon a motion could be made to the Court that it direct substitution or joinder.

In the case at bar, the respondent chose to conceal and suppress the fact that there had been a transfer of interest or a devolution of liability. The petitioner had no opportunity to move the Court for a substitution or joinder

of the real party in interest, and had no opportunity to face a real adversary so that a judgment equally binding upon both sides might result.

We have been unable to find any reported case construing Rule 25(c) in the manner urged by the respondent and apparently accepted by the Court of Appeals.

The question of proper interpretation of Rule 25(c) is an important question in Federal practice and should be decided by this Court.

Clearly, it was not intended that the provisions of this Rule 25(c) should be carried out at the whim or election of the parties. On the contrary, it appears definitely to be the purport and intent of the rule that questions of substitution and joinder shall be submitted to the Court for decision and that the parties must follow the direction of the Court.

Conclusion.

The petition for a writ of certiorari to the Circuit Court of Appeals for the Seventh Circuit should be granted.

Respectfully submitted,

HAROLD OLSEN,

Counsel for Petitioner.